

SERVICE RECOVERY STRATEGIES AND CUSTOMER LOYALTY IN RETAIL BANKING - A STUDY IN TAMILNADU

INTRODUCTION

For a developing country as India, banking plays a crucial role, due to credit demand of the economic growth. This sector is seemingly attractive for enterprises to enter market. The more attractive market causes more competition. So many banks pay more attention to benefit policies to convince clients. In addition, each of them tries to find opportunities and recover on what bank services fail.

Retail banking sector in India has realized a high potential for growth. "Penetration levels are low, with less than 5 per cent of India's total population use banking services regularly, and less than 20 per cent having bank accounts.

In the race to capture the retail banking market, Indian banks have faced big challenges from the harsh competition with foreign ones. In line with WTO requirements, the government has officially licensed for 100 per cent foreign-owned banks to open its own business in India. As a result, some local banks face more threats. To compete with foreign competitors, local banks have taken into account of building brand, strengthening product promotion, improving sales skill.

Local customers' behavior toward banking service has sharply changed in recent years. So many competitive strategies of banks are much, considered in facilitating customers toward buying decision. Additionally services to satisfy their needs on saving, lending are also considered. The more customers collect and analyze reference information, the greater sophistication they make in their purchase of banking services. In other words, customers turn to be more fastidious. They are easy to feel dissatisfied and ready to voice their complaints whenever the bank causes service failures, long service delivery process, and failure to provide proper production information, unprofessional staff and so on. Consequently, if the bank brings about satisfied recovery outcomes to the failures, customers may revisit the bank for another purchase and have good words about the bank with others. Otherwise, customers may detect to

other banks, and negatively comment wrong direction to others.

Several researchers carried out studies on service failure, service recovery and customer satisfaction with recovery strategies in retail banking, Tax et al. (1998)¹, Johnston and Fern (1999)², Andreassen (2000)³, Colgate and Norris (2001)⁴, Lewis and Spyropoulos (2001)⁵, McCollough et al. (2000)⁶, and Jones and Farquhar (2007)⁷. Tax et al. (1998)⁸ studied on customer evaluation on an organization's efforts to resolve service failures and the influence of satisfaction with complaint handling on trust and commitment. Smith et al. (1999)⁹ found that perception of consumers on service failure or recovery encounter is included two factors, service failure context (type and magnitude

-
1. Tax, S.S., Brown, S.W., and Chandrashekar, M. (1998) 'Customer evaluations of service complaint experiences: implications for relationship marketing', **Journal of Marketing**, 62:2, 60-76..
 2. Johnston, R., Fern, A. (1999) 'Service recovery strategies for single and double deviation scenarios'. **The Service Industries Journal**, 12:2, 69-82
 3. Andreassen, A.R. (2000) 'Antecedents to satisfaction with service recovery', **European Journal of Marketing**, 34:1-2, 156-175.
 4. Colgate, M., and Norris, M. (2001) 'Developing a comprehensive picture of service failure', **International Journal of Service Industry Management**, 12:3/4, 215-233.
 5. Lewis, B.R. and Spyropoulos, S. (2001) 'Service Failures and Recovery in Retail Banking: The Customer Perspective', **International Journal of Bank Marketing**, 19:1, 37-47.
 6. McCollough, M.A., Berry, L.L., and Yadav, M.S. (2000) 'An empirical investigation of customer satisfaction after service failure and recovery', **Journal of Service Research**, 3, 121-137.
 7. Jones, H. and Farquhar, J.D. (2007), 'Putting it right: service failure and customer loyalty in UK banks', **International Journal of Bank Marketing**, 25:3, 161-172.
 8. Tax, S.S. and Brown, S.W. (1998), 'Recovering and learning from service failures', **Sloan Management Review**, 40, 75-89.
 9. Smith, A.K., Bolton, R.N., and Wagner, J. (1999), 'A model of customer satisfaction with service encounters involving failure and recovery', **Journal of Marketing Research**, 36:3, 356-362.

of failure) and service recovery attributes (response speed, compensation, apology, and recovery initiation). Maxham and Netemeyer (2002)¹⁰ and Cengiz et al. (2007)¹¹ pointed out that perceived justice had positive effect on satisfaction with recovery and overall firm satisfaction, which then influenced customer behavioral intentions including word-of-mouth intent, repurchase intent, and loyalty to the firm.

NEED FOR THE STUDY

Service failures are inevitable and are considered to be damaging for service providers as it may trigger customer defection (Maxham, 2001)¹². Failure in service delivery may also increase the cost of acquiring new customers (Hart et al., 1990)¹³ which result in decline in profit (Smith, et al., 1998)¹⁴. The dissatisfied customers encountering service failures may engage in negative word-of-mouth, thereby, inhibiting prospects from patronization. The service recovery is only solution to reinforce customer satisfaction in the post recovery phase (McCollough et al., 2000)¹⁵. The service recovery strategies may range from addressing core-service failures to terminal failures and can focus on compensation, physical replacements, future assurance, maintaining

-
10. Maxham, J.G. III and Netemeyer, R.G. (2002b) 'A longitudinal study of complaining customers' evaluations of multiple service failures and recovery efforts', **Journal of Marketing**, 66:4, 57-71.
 11. Cengiz, E., Er, B., and Kurtaran. A. (2007) 'The effects of failure recovery strategies on customer behaviors via complainants' perceptions of justice dimensions in banks', **Banks and Bank Systems**, 2:33, 173-198.
 12. Maxham, J.G., (2001), "Service recovery's influence on consumer satisfaction, positive word-of-mouth, and purchase intentions", **Journal of Business Research**, 54(1), pp.11-24.
 13. Hart, C.W.L., Heskelt, J.L., and Sasser, W.E., (1990), "The profitable out of service recovery", **Harvard Business Review**, July-August.
 14. Smith, A.K., Bolton, R.N., and Wagner, J., (1998), "A model of customer satisfaction with service encounters involving service failure and recovery", **Marketing Science Institute**, Working Paper, pp.98-100.
 15. McCollough, M.A., Berry, L.C. and Yadav, M.S., (2000), "An empirical investigation of customer satisfaction after service failure and recovery", **Journal of Service Research**, 3(1), pp.121-137.

communication, etc (Johnston and Michel, 2006)¹⁶. It result in regarding and reinforcement of customer trust, repurchase intention and long term loyalty intentions (Maxham and Netemeyer, 2003)¹⁷. There is a need to focus on this aspect since the literatures are few. Hence, the present study focuses on this aspect as per the view of bankers and customers.

STATEMENT OF THE PROBLEM

During service delivery, it is difficult to avoid service failures by the service providers because of the nature of services. Customer experiencing the service failure may convey their dissatisfaction to others negative word-of-mouth and a negative sentiment towards the offending service provider adversely impacting customers, profits and even reputation of the service provider. Hence, the service recovery processes is essential to address the customers complaints on the service failure in order to increase the customer retention rate. The commercial banks especially public sector banks are very slow in the implementation of service recovery strategies which result in many customer exits from the banks.. The private sector banks are better than the public sector banks but still they are not up to the level of expectation of their customers regarding the provision of all justices. It is imperative to provide all justices namely procedure, interactional and distribution justice to their customer. If the banking authorities realize the fact, they can achieve the customer loyalty very easily. It is one of the major challenges in the banking industry.

Objectives of the Study

The objectives of the present are confined:

-
16. Johnston, R. and Michel, S., (2008), "Three outcomes of service recovery: Customer recovery, process recovery, and employee recovery", **International Journal of Operations and Production Management**, 28(1), pp.79-99.
 17. Maxham, J.G., Netemeyer, R.G., (2000), "A longitudinal study of complaining customers evaluations of multiple service failures and recovery efforts", **Journal of Marketing**, 66(4), pp.57-68.

1. To reveal the profile of the banks and its customers;
2. To measure the level of implementation of service recovery processes and strategies in banks; and its association with the profile of banks;
3. To study the service recovery performance and its consequences among the customers;
4. To measure the level of customer loyalty towards the bank and its association with the profile of customer;
5. To examine various determinants of customer loyalty towards the bank and its impact on customer loyalty towards bank; and
6. To evaluate the impact of service recovery performance on the customers loyalty towards bank.

Hypotheses of the Study

Based on the objectives of the study, the following null hypotheses were drawn:

1. There is no significant difference among the private and public sector banks regarding their level of implementation of service recovery processes, strategies and service recovery performance; and service failures.
2. There is no significant association between the profile of the banks and their level of variance expected related to service strategies and service failures in banks.
3. There is no significant difference among the customer in private and public sector banks regarding their service recovery performance and its consequences including customer loyalty.
4. There is no significant association between profile of customers and their view on various aspects related to perceived service recovery performance and its consequences.
5. There is no significant impact of determinants of customer loyalty towards banks on their level of customer loyalty towards bank; and
6. There is no significant impact of service recovery performance on the level of customer loyalty towards banks among the customers in banking industry.

CHAPTERIZATION OF THE STUDY

It includes the chapters and its contents in the present study. The present study is presented in Seven Chapters.

The first chapter focuses on introduction, importance of service recovery in banking industry, theoretical framework, need for the study, and statement of the problem, objectives, hypotheses and Chapterisation of the study.

The second chapter explains the results of various previous studies related to customer switching, service failure in banking industry, service recovery strategies adopted by the banks, service recovery performance and customer loyalty towards bank.

The third chapter includes the proposed research model, measurement of the concepts, methodology and limitations of the study.

The fourth chapter explains the profile of the bank branches, three level of service failures, rate of implementation of service recovery processes, strategies and factors leading to service recovery performance in banks as per the view of bankers.

The fifth chapter covers the profile of customer in banks, their view on service recovery performance and consequences of services recovery performance in banking industry.

The sixth chapter reveals the customer loyalty towards the banks, its determinants, impact of determinants on the customer loyalty towards the bank and also the impact of service recovery performance on the customer loyalty towards bank.

The seventh chapter summarizes the findings of the study, research implication, conclusions, policy implications and scope for future study.

Research Design

A research design is a master plan specifying the methods and procedures for collecting and analyzing the needed information. It is a framework or blue print that plans the action for the research project. The present study has made an attempt to describe the background of the bank branches and customers, their view on the various aspects related to service failure, service recovery processes, strategies, service recovery performance, customer loyalty and its determinants in banking industry, it is descriptive in nature.

Apart from this, the present study has its own objectives and structured methodology to fulfill the objectives, it is descriptive in nature.

Determination of Sample Size

The sample size of the study is determined with the help of $n = \frac{N}{Ne^2 + 1}$ whereas N-population, e-error of acceptance of n- sample size. In the present study,

$$n = \frac{1295}{1295(.5)^2 + 1} = 298.38 = 298 \text{ branches.}$$

Sample Size of the Customers

The sample sizes of the customers in each branch are arbitrarily determined as two customers per branch. These two customers are identified by the bank manager of the respective branch. Hence the applied sampling procedure to select the sampled customers is snowball sampling. The distribution of sampled customers and the responded customers on questionnaire are presented in the Table 1

Distribution of Sampled Customers

Sl. No.	City	Number of customers in				Total	
		PRSBs		PUSBs			
		Sampled	Responded	Sampled	Responded	Sampled	Responded
1.	Chennai	52	41	122	91	174	132
2.	Coimbatore	38	27	58	51	96	78
3.	Madurai	32	23	48	47	80	70
4.	Trichy	20	17	36	29	56	46
5.	Salem	24	19	38	33	62	52
6.	Tirunelveli	14	10	28	22	42	32
7.	Ramnad	12	8	26	20	38	28
8.	Erode	14	12	34	28	48	40
	Total	206	157	390	321	596	478

The number of sampled customers in PRSBs and PUSBs are 206 to 390 respectively whereas the responded customers on the questionnaire in PRSBs and PUSBs came to 157 and 321 respectively. Hence the total responded customers taken for the present study is 478 bank customers.

Collection of Data

The required data for the fulfillment of the objectives of the present study are collected with the help of two different questionnaires. One is meant for bank manager and another one is meant for bank customers.

The first questionnaire meant for banks consists of 3 parts. The first part of questionnaire includes the profile of the banks and their level of service failures whereas the second part of the questionnaire covers the implementation of service recovery processes and strategies at the bank. The third part of the questionnaire focuses on the service recovery performance and its antecedents.

The second questionnaire meant for bank customers consists of 3 parts. The first part includes the profile of the customer and their view on service recovery performance. The second part of the questionnaire consists of consequences of service recovery performance whereas the third part includes the customer loyalty towards bank and its determinants.

The relevant variables in the concepts included for the study were drawn from review of previous studies and view of experts. A pilot study was conducted among 20 each bankers in private and public sector banks in Madurai city regarding the questionnaire for bankers. Regarding the questionnaire for customer, a pilot study was conducted among 20 each customer in private and public sector banks. Based on their feedback certain additions, deletion, simplification and modification were carried out to prepare of the financial questionnaire to collect the primary data from bankers and customers.

FRAMEWORK OF ANALYSIS

The collected primary data were processed with the help of appropriate statistical tools. The selection of statistical tools rest on the nature of scale of data and objectives of the study focused. The details of statistical tools and their usage in this study are summarized below.

i) Exploratory Factor Analysis

Exploratory Factor Analysis identifies common dimensions of factors from the observed variables that link together the seemingly unrelated variables and provides insight into the underlying structure of the data. Varimax rotation is one of the most popular methods used in the study to simplify the factor structure by maximizing the variance of a column of the pattern matrix. The common factors themselves are expressed as linear combinations of the observed variables (Nalini, 2006)¹⁸.

Factor Model

$$\text{Factor Score} = W_{i1} X_1 + W_{i2} X_2 + \dots + W_{ik} X_k$$

Whereas

F_i = Estimate of the i^{th} factor

W_i = Weight of factor score co-efficient

X_i = Variables included

K = Number of Variables included

In the study, factor analysis has been applied to narrate the important factors service failure, service recovery strategies, perceived service recovery performance, its consequences, and determinants of customer loyalty.

ii) Confirmatory Factor Analysis (CFA)

The Confirmatory Factor Analysis has been used to analyze the reliability and validity of the variables included in each factor. The convergent validity of the factor was

18. Nalini Prava Tripathy (2006), "A Service Quality Model for Customers in Public Sector Banks", **The ICFAI Journal of Bank Management**, 5 (2), May, pp.77–82.

assessed by three measures: Item Reliability, Construct (Composite) Reliability and Average Variance Extracted (AVE) (Fornell and Larcker, 1981)¹⁹. Item Validity was evaluated by the size of the standardized factor loading of the variables on their corresponding factors. The loading should be at least 0.60 and ideally at 0.7 or above (Chin, 1998)²⁰.

Composite Reliability was assessed on the basis of internal consistency. It is similar to Cronbach's Alpha. The minimum acceptable level of composite reliability is 0.5 (Gerbing and Anderson, 1988)²¹. The convergent validity was assessed with the help of AVE which is at least 0.50 (Fornell and Larcker, 1981)²².

In the present study, the CFA has been used to analyze the validity and reliability of variables included in all concepts related to the study.

iii) Two Group Discriminant Analysis

Discriminant analysis is a technique for analyzing data when the dependent variable is categorical and the independent variables are interval in nature. When the dependent variable has two categories, the technique is known as a two-group discriminant analysis. When three or more categories are involved, the technique is referred to as multiple discriminant analysis (Malhotra, 2003)²³.

The discriminant analysis model involves linear combinations of the following form:

-
19. Fornell, C and Larcker, D.F., (1981), "Structural Equation Models with Observed Variables and Measurement Error", **Journal of Electronic Commerce Research**, 18 (3), pp.39–50.
 20. Chin, W.W (1998), "Issues and Opinion on Structural Equation Modelling", **MIS Quarterly**, 22 (1), pp.7–16.
 21. Gerbing D.W., and Anderson, J.C (1988), "An Updated Paradigm for Scale Development in Corporating Unidimensionality and its Assessment", **Journal of Marketing Research**, 25 (May), pp 186 – 192.
 22. Fornell, C and Larcker, D.F., (1981), "Structural Equation Models with Obserratle Variables and Measurement Error", **Journal of Electronic Commerce Research**, 18 (3), pp 39-50.
 23. Naresh K. Malhotra (2003), *Marketing Research: An Applied Orientation*, Pearson Education Private Ltd., India, pp 559 – 570.

$$Z = b_0 + b_1 X_1 + b_2 X_2 + \dots + b_n X_n$$

Where,

Z = Discriminant Score

b_1, b_2, \dots, b_n = Discriminant Coefficients or Weights

X_1, X_2, \dots, X_n = Discriminant Variables

b_0 = Constant

The Wilk's Lambda was calculated as a multi variant measure of group difference over discriminating variables (Shajahan, 2005)²⁴.

The relative discriminating power of the variables were calculated by

$$I_j = K_j (X_{j1} - X_{j2})$$

Where,

I_j = The important value of the j^{th} variable

K_j = Unstandardized discriminant coefficient for the j^{th} variable

X_{jk} = Mean of the j^{th} variable for the k^{th} group

The relative importance of a variable R_j is given by

$$R_j = \frac{I_j}{\sum_{i=1}^n I_i}$$

In the study, two group discriminant analysis was used to find out the important discriminant aspects in service failure, service recovery strategies, customer loyalty and its determinants among the strategies and customers in PRSBs and PUBSs.

iv) T-Test

In order to test the significant difference between the two means in two different samples, the 't' test was applied.

24. Shajahan, S., (2005), "A Study on the Level of Customers Satisfaction on Various Modes of Banking Services in India", **The ICFAI Journal of Bank Management**, 4 (1), February, pp.79–84.

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{(n_1 - 1) \sigma_1^2 + (n_2 - 1) \sigma_2^2}{n_1 + n_2 - 2} + \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}} \quad \text{with degree of freedom} = (n_1 + n_2 - 2)$$

Whereas

t – t-statistics

\bar{X}_1 – Mean of the first sample

\bar{X}_2 – Mean of the second sample

σ_1^2 – Variance in the first sample

σ_2^2 – Variance in the second sample

n_1 – Number of samples in first groups

n_2 – Number of samples in second groups

In the present study, an analysis was made to find whether there was any significant difference among the bank branches, and customers in PRSBs and PUBS regarding their level of service failure, service recovery processes, strategies, factors leading to service recovery performance, perceived service recovery, its consequences, customer loyalty and its determinants.

v) Multiple Regression Analysis

The multiple regression analysis is one of the multi variate analysis which can be used to measure the impact of independent variables on dependent variable which were measured at interval scale (Huseild 1995; Sels, 2003; Singh 2004). In the present study, the fitted regression model is:

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n$$

Whereas

Y – dependent variable

X_1, X_2, \dots, X_n – independent variable

b_1, b_2, \dots, b_n	–	regression co-efficient of independent variables
a	–	intercept and
e	–	error term

In the present study, it is used to evaluate the impact of determinants of loyalty on the customer loyalty towards banks and impact of service recovery performance on the level of customer loyalty among the customers in banks.

LIMITATIONS OF THE STUDY

The present study is subjected with following limitations:

1. The scope of the study is confined to the customers at private and public sector banks in selected eight cities in Tamilnadu.
2. The banks and customers are purposively classified into branches and customers in PRSBs and PUSBs.
3. Even though, the sample size was determined scientifically in case of selection of bank branches, the followed sampling procedure is unscientific in the case of bank customer;
4. The included customers of the study were identified with the help of the bank manager;
5. The descriptive variables in the present study are connected into quantitative variables with the help of Likert's five point scale;
6. The study may be influenced by the personal value judgment of the sampled customers; and
7. There is an assumption of linear relationship between the dependent and independent variables.

Summary of Findings

The summary of findings of the study is presented below.

Descriptive Statistics on Banks

The banks are classified into private sector and public sector banks (PRSBs and PUSBs) in the present study. The dominant years of establishment among the banks are above 15 years whereas the dominant number of staffs per branch is 7 to 9 and 10 to 12 per

bank. The number of staffs per branch is higher in PUSBs compared to PRSBs. The dominant number of customers per branch is 1001 to 1500 and 1501 to 2000. The number of customers per branch in PUSBs is higher than that in PRSBs. The dominant number of departments per branch is 3 to 5 and 6 to 8. The number of departments per branch is higher at PUSBs than that in PRSBs.

The dominant monthly transaction per branch is above 100 crores. The monthly transaction is higher at PUSBs compared to PRSBs. Most of the banks have separate service recovery cell at the bank.

Service Failure in Banks

The service failure in banks has been measured with the help of 16 variables. The highly viewed variable in PRSBs and PUSBs are prevention of customers to use services and delay in execution of service respectively. The significant difference among the PRSBs and PUSBs has been noticed in the case of 11 out of 16 variables in the existence of service failure. The important service failures narrated by the factor analysis are customer driven, technology, poor design and process failure.

The highly correlated variables in customer driven and technology failure are difficult to remember passwords and no proper working of web design respectively. In the case of poor design and process failure, these are not easy to understand design and delay in execution of services respectively. The variables in the important service failure explain it to a reliable extent. The highly viewed important service failure at PRSBs and PUSBs are technology failure and process failure respectively. The significant differences among the PRSBs and PUSBs have been noticed in the case of three out of four important service failures. In total, the higher service failure is noticed in PUSBs compared to PRSBs.

The significantly associating important profile of banks regarding the existence of service failures are number of staffs per branch, number of departments per branch, monthly transaction and nature of existence of service recovery cell. The important discriminant important service failure among the PRSBs and PUSBs are process failure and customer driven failure which are highly viewed in PUSBs compared to PRSBs.

Implementation of Service Recovery Process (SRP)

The implementation of SRP is examined with the help of four important failures namely benefits vs cost of service recovery, customization of recovery strategies, allocation of recovery resources and optimal mix of reliability and recovery investment. The highly viewed variables in benefits vs costs of service recovery are customer benefits of recovery and trade off between benefits and costs respectively. In the case of allocation of recovery resources, these are optimum mix of technology based services and e-services contexts respectively. In the case of customization of recovery strategies, this is dynamic customer satisfaction management. In the case of optimal mix of reliability and recovery investment, these are recovery paradox and company's ability and financial needs. The significant difference among PRSBs and PUSBs has been noticed in the implementation of all variables in four important SRPs.

The highly implemented important SRP in PRSBs are benefits vs cost of service recovery and allocation of recovery resources whereas in PUSBs, these are also the same. But the significant differences among the PRSBs and PUSBs have been noticed in the rate of implementation of all four important service recovery processes. The rate of implementation of SRP is higher at PRSBs compared to PUSBs. The significantly associating important profile variables regarding the rate of implementation of SRP are number of staffs per branch and nature of existence of service recovery cell. The important discriminant SRP in PRSBs and PUSBs are allocation of recovery resources and customization of recovery strategies which are higher at PRSBs compared to PUSBs.

Implementation of Service Recovery Strategies (SRS)

The implementation of service recovery strategies in banks have been examined with the help of 15 variables. The highly implemented variable in PRSBs and PUSBs are response on service failure and automation recovery respectively. The significant difference among the PRSBs and PUSBs has been noticed in the implementation of 13 out of 15 variables in SRS. The important service recovery strategies narrated by factor analysis are service quality, compensation, efforts taken, approach and correction of system. The highly correlated variables in service quality, compensation and efforts taken are promptness,

compensation and facilitation respectively. The highly correlated variables in approach and correction of system are explanation and reparation respectively.

The highly implemented SRS by PRSBs and PUSBs are service quality and correction of the system respectively. The significant differences among the PRSBs and PUSBs have been noticed in the implementation of four out of five important SRS. In total, the rate of implementation of service recovery strategies is higher in PRSBs compared to PUSBs. The significantly associating important profile variables regarding the implementation of SRS are years of establishment and nature of existence of service recovery cell. The important discriminant SRS among the PRSBs and PUSBs is service quality which is highly implemented in PRSBs compared to PUSBs.

The most dominant timing of service recovery in banks is within 24 hours. The most dominant timing in PRSBs and PUSBs are immediately and 1 to 2 days respectively. The level of service recovery performance is higher in PRSBs compared to PUSBs. The most dominant service recovery performance in banks is very high.

Factors Leading to Service Recovery Performance in Banks

The factors leading to service recovery performance in banks are studied with the help of 15 variables. The highly viewed variable in PRSBs and PUSBs are justice and experience of customers respectively. The significant difference among the PRSBs and PUSBs has been noticed in the case of all 15 variables in service recovery performance. The important factors identified by the factors analysis are employees, strategies and customers. The highly correlated variables in the above said factors are rewards, compensation and personality of customers respectively.

The highly viewed factors in PRSBs are strategies whereas in PUSBs, it is customers and employees. The significant differences among the PRSBs and PUSBs have been noticed in their view on all three factors. The significantly associating important profile variables regarding the view on factors are years of establishment, number of staffs per branch, number of customers per branch, and nature of existence of service recovery cell. The important discriminant factors leading to service recovery performance among the PRSBs and PUSBs is customers and strategies which are highly viewed in PRSBs.

Descriptive Statistics on Customers

The customers of the banks are classified into customers at private sector banks (PRSBs) and public sector banks (PUSBs). The dominant gender among the customers is male whereas the dominant age group of the customers is 30 to 40 and 40.01 to 50 years. The dominant level of education among the customers is under graduation and upto school education. The important marital status among the customers is 'married' whereas the dominant family size among the customers is 3 to 4 members per family. The higher family size among the customers in PUSBs is noticed compared to customers in private sector banks. The dominant number of earning members per family among the customers is only one.

The dominant occupational background among the customers is private employment and agriculture. The most important occupational background among the customers in PRSBs and PUSBs are private employment and business respectively. The dominant present occupation among the customers is private employment and Government employment. The most important present occupation among the customers in PRSBs and PUSBs is private employment. The important nativity among the customers is urban and semi-urban whereas the personal income per month among the customers in PRSBs is higher than that among the customers in PUSBs. The family income per month among the customers in PRSBs is higher than that among the customers in PUSBs.

Banking Profile of the Customers

The dominant year of experience in banking among the customers is 10 to 13 years. The years of experience among the customers in PUSBs are higher than that among the customers in PRSBs. The dominant number of banks dealt at present is only one bank. The number of banks dealt at present among the customers in PUSBs is higher than that among the customers in PRSBs. The dominant nature of banks dealt by the customers is both private and public sector banks. The dominant number of accounts owned per branch among the customers is only one account. The dominant frequency of visit at bank among the customers is weekly. The higher frequency of visit at bank among the customers in PRSBs is noticed compared to the customers in PUSBs.

The dominant monthly transaction at banks among the customers is Rs.90001 to 1,20,000. The higher monthly transaction is noticed among the customers in PRSBs than that in PUSBs. The important number of services availed at the present bank among the customers is three services. The higher number of services availed by the customers in PRSBs compared to customers in PUSBs. The dominant nature of customers in PRSBs and PUSBs are fresher and switcher respectively. The dominant frequency of service failure met by the customers is at a moderate level. The level of service failure faced by the customers is higher in PUSBs compared to PRSBs.

Reasons for Service Failure among the Customers

It is studied with the help of seven variables. The highly viewed reasons for service failure among the customers in PRSBs are attractive alternatives and distance to work place/residence whereas among the customers in PUSBs, these two are lack of commitment and poor access. Regarding the view on reasons for service failure, the significant differences among the customers in PRSBs and PUSBs have been noticed in their view on six out of seven reasons.

Perceived Service Recovery (PSR) among the Customers

The perceived service recovery performance among the customers is measured with the help of 14 variables. The highly viewed variables by customers in PRSBs and PUSBs are monitor post recovery phase and knowledgeable employees to ensure service recovery. The significant difference among the customers in PRSBs and PUSBs has been noticed in their view on 11 out of 14 variables in PSR. The important factors in PSR narrated by the factor analysis are response, timeliness, empathy and management.

The highly correlated variables in response and timeliness are ‘employees explain the means for service failure and assure a quick remedy’ whereas in the empathy and management, these variables are employees concerned about problems in services and offers a zero cost transaction respectively. The highly viewed important factors in PSR by the customers in PRSBs and PUSBs are timeliness and management respectively. The significant difference among the two groups of customers has been noticed in their view on response, timeliness and empathy.

The significantly associating important profile variables regarding the view on IFPSR are age, level of education, monthly income and family income. The important banking profile of customers are years of experience in banking, number of banks dealt, and nature of customers. The important discriminant IFPSR among the customers in PRSBs and PUSBs is timeliness which is highly viewed by the customers in PRSBs.

Consequences of Perceived Service Recovery Performance

The consequences of perceived service recovery performance among the customers are examined by customer trust, repatronization and customer advocacy. The highly viewed variables in customers trust by customers in PRSBs and PUSBs are ‘try to avoid repeated service failure’ whereas in the case of repatronization, it is ‘continue to avail services at post service recovery phase’. In the case of customer advocacy, it is ‘advocate trial run of my bank services to others’. The significant differences among the male and female customers have been noticed in their view on all variables in three consequences of SRP.

The highly viewed CPSR, by customers in PRSBs and PUSBs are customer trust and repatronization respectively. The significant differences among the two groups of customer have been noticed in their view on all three CPSR. The significantly associating important profile variables regarding the view on CPSR are age, level of education, occupational background, monthly income and family income whereas the banking profile variables are years of experience in banking and monthly transaction. The important discriminant CPSR among the customers in PRSBs and PUSBs are customers trust and customer advocacy which are highly viewed by customers in PRSBs compared to PUSBs.

Customer Loyalty (CL) towards banks

The level of customer loyalty towards banks is measured with the help of eight variables. The highly viewed variables in CL by the customers in PRSBs are ‘increase the frequency of the bank usage’ and ‘recommend the bank to others’ whereas among the customers in PUSBs, these are, ‘repeat the usage of banking’ and ‘future dependence only on the bank’. The significant differences among the two groups of customers have been noticed in their view on all eight variables. The higher level of customer loyalty is noticed among the customers in PRSBs compared to the customer loyalty among the customers in PUSBs.

Demographic Discrimination of Customer Loyalty

The higher customer loyalty towards banks is noticed among the male customers compared to female customers. There is a significant difference among the male and female customers regarding their level of customer loyalty towards banks. The higher level of customer loyalty is noticed among the customers with the age of above 60 years whereas the lesser level of customer loyalty is identified among the customers with the age of 'upto 30 years'. There is a significant association between the age of the customers and their level of customer loyalty towards bank.

The level of education among the customers is significantly associated with their level of customer loyalty towards banks. The higher level of customer loyalty is noticed among the customers with lesser level of education whereas the lesser customer loyalty is identified among the customers with higher level of education. The married customers are having higher level of customer loyalty towards banks whereas the lesser level of customer loyalty is seen among the unmarried customers. There is a significant association between the marital status of respondents and their level of customer loyalty towards bank.

The higher level of customer loyalty is seen among the customers with higher family size whereas the lesser customer loyalty is identified among the customers with lesser family size. There is a significant association between the family size of the customers and their level of customer's loyalty towards banks. There is a significant association between the number of earning members per family among the customers and their level of customer loyalty. The higher level of customer loyalty is noticed among the customers with only one earning members per family whereas the lesser level of customer loyalty is seen among the more than 2 earning members per family.

The higher level of customer loyalty is identified among the customers with an occupational background of agriculture whereas the lesser level of customer loyalty is noticed among the customers with the occupational background of business. There is a significant association between the occupational background of the customers and their level of customer loyalty towards bank. The present occupation among the customers is significantly associated with the level of customer loyalty towards bank. The higher

customer loyalty is seen among the customers with the present occupation of micro business whereas among the customers with the professional services, it is lesser.

There is a significant association between the nativity of the customers and their level of customer loyalty towards bank. The high level of customer loyalty is noticed among the rural customers whereas the lesser level of customer loyalty is identified among the urban customers. There is a significant association between the personal income of the customers and their level of customer loyalty towards banks. The higher level of customer loyalty is identified among the lower income people whereas the lesser customer loyalty is noticed among the higher income people.

The higher level of customer loyalty is identified among the customers with lesser family income whereas the lesser level of customer loyalty is noticed among the customers with higher family income. There is significant association between the family income of the customers and their level of customer loyalty towards banks. The years of experience is significantly associated with the level of customer loyalty towards bank among the customers. The lesser loyalty is noticed among the customers with lesser experience whereas the higher loyalty is identified among the customers with higher experience.

The customers with the dealing of one bank have higher customer loyalty whereas it is lesser among the customers with dealing of more than two banks at a time. There is a significant association between the years of experience and the level of customer loyalty towards bank among the customers. Similarly, there is a significant association with the number of accounts maintained per bank among the customers and their customer loyalty towards banks. There is a direct correlation between these two items.

There is a significant association between the monthly transaction at the bank, number of services availed by customers and their level of customer loyalty. The higher level of customer loyalty is noticed among the customers with higher monthly transaction and more number of services availed at the present bank and vice versa.

Determinants of Customer Loyalty towards Bank

The determinants of customer loyalty towards bank have been examined with the help of four determinants namely cognitive, affective, intentional and behavioural loyalty.

The highly viewed variable in cognitive loyalty among the customers in private and public sector banks is worthiness of service pricing. The highly viewed variables in affective loyalty by customers in PRSBs and PUSBs are appreciate this bank in this city and enjoying the most in this bank respectively. Regarding the view on variables in affective loyalty, the significant difference among the customers in PRSBs and PUSBs has been noticed in their view on all four variables in affective loyalty.

The highly viewed variable in intentional loyalty among the customers in PRSBs and PUSBs is intended to proud in this bank. Regarding the view on variables in intentional loyalty, the significant differences among the two groups of customers have been noticed in their view on all four variables in intentional and behavioural loyalty. The highly viewed variables in behavioural loyalty by the customers in PRSBs and PUSBs are deal with this bank when I wish to deal and use more of the services in this compared to other respectively.

The highly viewed determinants of customer loyalty by the customers in PRSBs are affective and cognitive loyalty whereas among the customers in PUSBs, these are affective and intentional loyalty. Regarding the view on determinants among the customers, the significant difference among the two group of customers have been noticed in their view on all four determinants. The significantly associating important profile variables regarding the view on four determinants of customer loyalty are age, occupational background, monthly income and family income whereas the banking profile variables are number of accounts owned and monthly transactions. The important discriminant determinant of customer loyalty among the customers in PRSBs and PUSBs is cognitive loyalty which is highly viewed by customers in PRSBs.

Impact of Determinants on the level of Customer loyalty towards banks among customers

The significantly and positively influencing determinants of customer loyalty towards banks among the customers in PRSBs are cognitive, affective and behavioural loyalty whereas among the customers in PUSBs, these are cognitive and behavioural loyalty. The higher impact of determinants of customer loyalty on the level of customer

loyalty towards banks is seen among the customers in PRSBs than that among the customers in PUSBs.

Linkage between Perceived Service Recovery and its Consequences

The significantly influencing factors in service recovery on customer trust among the customers in PRSBs are response, timeliness, and empathy whereas among the customers in PUSBs, it is response and timeliness. The higher impact of factors in perceived service recovery on the customer trust among the customers in PRSBs compared to the customers in PUSBs. In total, the most influencing factors in PSR on the customer trust is timeliness.

The significantly influencing factors in PSR on the repatronization among customers in PRSBs are timeliness and empathy whereas among the customers in PUSBs, it is timeliness. The higher impact is seen among the customers in PRSBs than that in PUSBs. Regarding the impact on customer's advocacy, the significantly influencing factors in PSR are response, timeliness and empathy whereas among the customers in PUSBs, it is response. The higher impact is noticed among the customers in PRSBs compared to customers in PUSBs.

The significantly influencing factors in PSR on customer loyalty towards bank among the customers in PRSBs and PUSBs are response and timeliness. The higher impacts are noticed among the customers in PRSBs compared to customers in PUSBs. In total, the most influencing factor is timeliness.

CONCLUDING REMARKS

The present study concludes that the rate of implementation of service recovery processes and strategies are higher at private sector banks than that at public sector banks. The service recovery is noticed as higher in private sector banks compared to public sector banks. The important factor loading to the service recovery performance in banks is related to the employee, strategies and customers. The private sector banks are highly viewing customers whereas the public sector banks are viewing 'employees'. The important nature of service failure as per the view of customers in private and public sector banks are innovative failure and core service failure. The level of perceived service recovery is higher in PRSBs than that in PUSBs. The consequences of perceived service recovery performance

are customer trust; repatronization and customer advocacy which are higher in private sector banks compared to public sector banks.

The level of customer loyalty is lesser among the customers in private and public sector banks. The demographic profile of the customers and their banking profile are significantly associated with their level of customer loyalty. The important determinants of customer loyalty are cognitive, affective, intentional and behaviour loyalty. The levels of view on these factors are higher among the customers in private sector. The important discriminant factor leading to customer loyalty among the customers in private and public sector banks is cognitive loyalty which is higher among the customers in private sector bank. The significantly influencing factors on customer loyalty among the customers in private sector banks are cognitive, affective and behavioural loyalty whereas among the customers in public sector bank, these are cognitive and behavioural loyalty.

The significantly influencing perceived service recovery performances on the loyalty among the customers are timeliness and response. Hence it is essential to implement the service recovery strategies immediately and provide a proper response to the customer complaints. Then only the banks can generate customer loyalty towards bank.