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Examining the Impact of the Service Recovery Paradox (SRP) on Customer Loyalty in E-Banking Services: A Study on Dhaka City

Abstract

The study objective is to examine the impact of service recovery paradox (SRP) toward customer loyalty in e-banking services in Dhaka, Bangladesh. The current study has applied service recovery paradox (SRP) theory to construct a model with three factors: compensation, communication gap reduction, and complaint handling which turns frustrated customers into loyal customers. This study used convenience sampling techniques to select the respondent. A total of 200 respondents were participated in this study but only 175 responses were used for analysis after screening the data. For analyzing the data and testing the hypotheses, this study used frequency distribution and structural equation modeling (SEM). The findings of this study demonstrated that three exogenous variables (compensation, communication gap reduction, and complaint handling) statistically significant in influencing customer loyalty of e-banking services in Bangladesh. This study also showed complaint handling influences customer loyalty more than the communication gap reduction and compensation. Finally, this study findings provide some meaningful implications that help service provider to improve customer loyalty considering other unexplained factors.

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1. Introduction

Customers now expect new levels of convenience and flexibility in addition to strong and simple services that traditional methods cannot provide, which makes it crucial for banks to comprehend how customers view and asses the quality of e-banking services if they want to thrive in the market. When banking services are delivered over a secure website run by the bank service provider, it's known as e-banking (Yee and Faziharudean, 2018). E-banking services have been seen as a potentially viable alternative distribution channel because of rising computer literacy, financial sector deregulation, the quick spread of electronic commerce, shifting consumer preferences for cutting-edge financial service, and resolute efforts to lower operating costs and improve customer convenience (Sathiyavany and Shivany, 2018). The demand for e-banking services is increasing as it offers a quick and easy way to do a variety of financial transaction via the e-banking website from home, the workplace, or another location, whenever they choose (Yee and Faziharudean, 2018). Today's customers are enjoying faster, low cost, convenient, and easy banking

services whenever, wherever they want, with the blessing of the technological advancement (Sadekin and Shaikh, 2015). Furthermore, e-banking allows customers to well inform about their current balance by staying remote location through the easy access of the internet (Bashir et. al., 2023).

A powerful banking industry is crucial to any country as it supports the economic growth and development of the country by providing effective and efficient financial services (Salehi and Alipour, 2010). Developing countries like Bangladesh use e-banking services since 2001 as a part and parcel of their economy and 29 banks offer e-banking services to their clients since 2007 (Hasan et al., 2010; Rahman, 2007). Several e-banking services such as SMS banking, Tele banking, ATM, Fast track, push and pull services and so on, are offered by the commercial banks in Bangladesh (Hossain et al., 2015). Therefore, several studies have done on e-banking services such as Tahtamouni (2023) in Jordan; Almansour and Elkrghli (2023) in Libya; Rajasulochana (2022) in Bengaluru; Alkhaibari et. al., (2023) in Saudi Arabia; Hafiza et. al., (2022) in Pakistan; Lim et. al., (2023) in Malaysia; Sardana and Bajpai (2020) in India; Mousa et. al., (2021) in Iraq; Ali et al. (2023) in Bangladesh.

This study has been set up for a purpose of examining the impact of service recovery paradox (SRP) toward customer loyalty in e-banking services in Dhaka, Bangladesh. E-banking gives customers a great opportunity for experiencing easy, convenient, and low-cost financial transaction through the internet. Sometimes customers face problems using e-banking services such as poor quality of delivery service, limited payment options, communication problem, poor compensation, inefficient complaint handling process and so on (Hasan et. al., 2010; Furst et. al., 2000). Company must have quick and effective recovery process. A quick recovery can satisfy the customers and increase loyalty. On the contrary, failure of quick service healing creates dissatisfaction among the loyal customers. A prompt response to the failure of the service system can turn complaining and unhappy customers into loyal customers. Nevertheless, considering some variables like compensation, communication gap reduction, and complaint handling, affecting customer loyalty are analyzed thoroughly in this research study by gathering information from different sources. And how these independent variables are ensuring the service recovery paradox to enhance the customer loyalty of e-banking is also investigated.

The adoption of e-banking services is increasing in Bangladesh, especially in Dhaka. However, customer dissatisfaction due to poor service from providers remains a significant issue. The Service Recovery Paradox (SRP) suggests that an effective service recovery can increase customer loyalty, and this phenomenon has been widely studied globally. Hasan (2021) examined this paradox in the context of garment manufacturers in Bangladesh. Several existing studies in Bangladesh have primarily focused on service quality (Bashir et. al., 2023), customer satisfaction (Nupur, 2010), trust (Sadekin et. al., 2019), and customer experience (Bashir et. al., 2023) in the context of e-banking. However, the role of service recovery paradox strategies in fostering customer loyalty remains unexplored. Therefore, understanding how effective service recovery can transform dissatisfied,

frustrated customers into loyal ones is crucial. This study fills this knowledge gap by analyzing the effects of service recovery paradox on customer loyalty in e-banking services in Dhaka and providing valuable insights for improving customer retention.

However, this study examines the service recovery paradox (SRP) of e-banking on customer loyalty in Dhaka, Bangladesh. The current study developed and examined a conceptual framework based on the service recovery paradox (SRP) theory. To date, no similar conceptual model has been developed in the context of Bangladeshi e-banking services. This study has therefore investigated how the service recovery of e-banking along with these elements can influence the loyalty of the customer in Dhaka, Bangladesh.

The current study's objective is to examine the service recovery paradox (SRP) and its impact on e-banking customer loyalty in Dhaka, Bangladesh. And the specific objectives are to examine how compensation affects customer loyalty; to examine how communication gap reduction is helping to enhance the loyalty of the customers; to examine how effective complaint handling by the service provider can turn complaining customers into loyal customers.

Research Question: The following question will be answered by completing this paper:

What is the demographic profile of the e-banking customer?

How does service recovery process of e-banking impact customer loyalty?

The next section of this paper reviews the past literature related to service recovery paradox (SRP) and customer loyalty and develop a conceptual framework with three factors. In the final part, this study describes how the research was being conducted, summarizes the discussion of the findings, and represents the recommendation and conclusion.

2. Literature Review

2.1. Service Recovery Paradox (SRP)

This study followed the concept of service recovery paradox (SRP) theory, first introduced by Etzel and Silverman (1981) who refers the recovery paradox as the phenomenon in which customer fells positive about the brand when they get the prompt service healing by the company. Service Recovery paradox (SRP) effect can turn unhappy and complaining customers into loyal customers (Hart et. al., 1990). A good service healing system can solve customer problems more quickly than any other recovery tools (Krishna et al., 2011). A prompt recovery in service failure can satisfy the customer and it also engages the customer to repurchase the product (Ha Nam Khanh et. al., 2020). Failing to solve the customer's problem create negative impact on the product and the company. It restricts the growth of sales, positive image, and potential customers. Consumers' first impression of a company is sent by its corporate image which includes the advantages and positioning of the products or services it sells (Zameer et al., 2018). One way to gauge a company's image is by looking at its reputation, safety, capacity for progress and confidence (Kim and Kim, 2019). To survive in the competitive marketplace in Bangladesh, the service provider of e-banking needs to focus on service recovery strategies to capture higher customer loyalty by overcoming service failure.

Several studies followed the concept of service recovery paradox (SRP) theory in various fields (Bolton, 1998; Berry et. al., 1990; McCollough, 2000; Halstead and Page Jr, 1992; Michel and Meuter, 2008). These studies suggested that customers are more ecstatic when they find authentic, accurate, and first-time service. The results of these studies also revealed that service recovery paradox (SRP) serve as recovery tool to lessen the damage that results from a service failure. Service recovery paradox (SRP) is all about resolving the customer's problem and turning their disappointment into a satisfaction (McCollough, 1995).

2.2. Customer Loyalty

Griffin (1996) characterizes the loyalty as repeat purchasing behavior of the customer over time, whereas Kahn et. al., (1986) define loyalty as a probability of purchase. Another study found by Bowen and Shoemaker (2003) who refers the customer loyalty is the possibility of spreading positive news by the customer. Some studies concentrated on the emotional components of loyalty, such as perceptions about brand choices, brand recall that comes to mind first (Boonlertvanich, 2011), and consumer behavior that related to repurchase intentions (Bell et. al., 2005). Brand loyal consumers were significantly less affected by unfavorable information than those who held no brand allegiance (Turner and Wilson, 2006). In addition, a sustainable and reliable revenue stream from repeat customers is created when customer loyalty rises (Augusto de Martos, 2009).

2.3. Compensation

Compensation is an effective service failure tool to mitigate unfavorable customer experience by providing truthful evidence that the service provider is equitable (Wanjau et. al., 2015). Compensation is the best way to retain customers by offerings discounts, coupons, refunds, and service replacement (Smith et. al., 1999). When service providers do any wrong providing services, customers want special benefits such as free services, or extra services for reducing their damages. Customers are satisfied if they find service providers take their problem seriously and resolve the problem or paying for the costs of the problem by offerings them additional benefits and are keen to have them return as repeat customers (Kim, 2007; Wanjau et. al., 2015). Thus, Good and proper compensation system can turn unhappy customers into a happy customer, thus lead to a higher level of customer loyalty (Haesevoets et. al., 2017). The current study posited the following hypotheses:

H_1: Compensation significantly affects customer loyalty.

2.4. Communication Gap Reduction

Good communication refers to the formal and informal sharing of timely and relevant information between the individuals and the service providers. To keeping well informed and educating customers about their services, company make an effective communication so that customers can understand the available services easily (Sharma and Patterson, 1999). (Ball et. al., (2004), and Michel and Meuter (2008), define the term "good communication" is to something like beneficial, timely, encouraging, practical, enjoyable, or simple communication. There needs to be better ways of conveying to the company what the customer expects from the service they receive. An organization's responsibility does not end with the close of a transaction, it must also track

how its customer feels about the service they receive. Good communication with the customer is also increased customer loyalty (Merisavo, 2008). Several studies discovered that communication gap reduction significantly affects customer loyalty (Qasem and Alhakimi, 2019; Dimyati, 2015). The current study posited the following hypothesis:

H_2: Communication gap reduction significantly affects customer loyalty**.**

2.5. Complaint Handling

As a direct action and function of customer complaints, businesses may react to service failure to overcome future challenges (Bretsohl, 2010). It is an essential part of any business to accept service failure in meeting customer expectations (Maamari and Wasfi, 2020). Proper justice of the customer complaint can influence customer loyalty (Homburg and Furst, 2005). Good complaint handling can turn unhappy customers into loyal ones (Carvajal et. al., 2011). When customers think that their complaints are evaluated carefully, they are more loyal to this company. According to Spreng et. al., (1995), if customers' complaints are handled satisfactorily, they think positive about the company and want to repurchase the product. This study developed the following hypothesis:

H_3: Complaint handling significantly affects customer loyalty

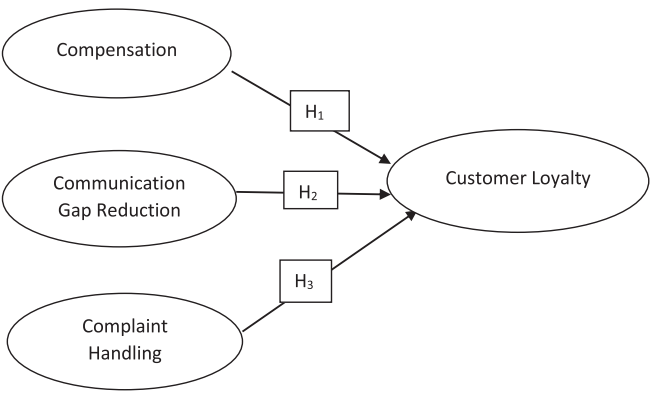

Figure 1: A Conceptual Framework of the Study (Author's Construct)

3. Research Methodology

3.1. Measures

Multi-item scale was used to measure the four constructs (compensation, communication gap reduction, compliant handling, and customer loyalty) of this study. Twelve scale items of this study were derived from previously related instruments. Three items of compensation were obtained from Kim (2007), communication gap reduction was adapted from Kashem and Alhakimi (2019), and Sharma and Patterson (1999), complaint handling were generated from Maamari and Wasfi (2020). Lastly, the three items of customer loyalty were adapted from Kim (2007), and Sousa and Voss (2009). To collect the data five-point Likert scale (1 indicated "strongly disagree" and 5

indicated the "strongly agree") was used for all constructs, except for demographics information.

3.2. Population

The population of the study includes those people who have used e-banking services in Dhaka, Bangladesh. In this study, population is constituted of all aged people, profession and both males and females get equal opportunities.

3.3. Sampling

The finite population formula was applied to calculate the appropriate sample size for this study, considering the total number of e-banking users in Dhaka, Bangladesh. The formula recommended by Cochran (1977) and Krejcie and Morgan (1970) is given below:

$n = n_0 / [1+\{(n_0-1)/N\}]$

$=384/ [1+ \{384-1)/1,144,800]$

$=384$

According to The Daily Star (2023), approximately 7.632 million e-banking users reside in Bangladesh as of August 2023. To find appropriate e-banking users in Dhaka, this study assumed that 15% of the users reside Dhaka.

$N = 7,632,000 \times 0.15 = 1,144,800$, where N is the total number of e-banking users in Dhaka. To determine the initial sample size (n_0), this study used Cochran's (1977) formula:

$n_0 = z^2 \times p \times (1-p)/e^2$

$= 1.96^2 \times 0.5 \times 0.5/0.05^2$

$=384$

Where z = 1.96, p = assumed 50% for maximum variability, e = 5%). Although 384 respondents are the suggested sample size, 200 respondents were chosen based on previous studies. The studies that are discussed in the literature review have taken sample sizes ranging from 50 – 250 (Roscoe, 1969; Karim, 2019; Siddiqi, 2011; Zaid et. al., 2021; Tseng, 2021; Siddiqi et. al., 2018). A study found in Indonesia by Zaid et. al., (2021), analyzed the service recovery impact on customer loyalty taking the sample size of 126. Another study selected a sample size 183 to investigate the moderating effect of online recovery on customer loyalty (Tseng, 2021). Siddiqi et. al., (2018) took a sample size of 210 to analyze the relationship management impact on customer loyalty in Bangladesh. Another study found in Bangladesh took a sample size of 100 to determine the customer loyalty of retail banks (Siddiqi, 2011). Karim (2019) conducted a study based on customer loyalty with a sample size of 100. Out of 200 respondents, only 175 found valid after screening the data due to practical considerations such as resource limits, respondent accessibility, and the specificity of focusing on those who have encountered service breakdowns.

This study used convenience sampling to select the participants. All participants were chosen after viewing their social media profiles, verifying their age, gender, and location, and inquiring about whether they had previously taken e-banking services to ensure the target population accurately.

3.4. Data Collection and Analysis tools

Both primary and secondary sources were used to collect the data. To collect the primary data, online survey was conducted, and consistent self-administered online questionnaire was used. In this study,

researchers collected secondary data from various sources such as magazines, books, journals, articles, past studies and reviews, social media for supporting the study. The first part of the questionnaire consists of demographic profile (such as age, gender, occupation) of the respondent and the later part of the questionnaire is related to hypothetical and dependent variables (such as compensation, communication gap reduction, complaint handling, and customer loyalty).

For analyzing the data and testing the hypotheses, this study used SPSS (Version 20) and Smart PLS (4.0) software. To examine the relationship between endogenous and exogenous variables, this study adopted structured equation modeling (SEM). In addition to finding out the internal reliability of the scale of the items, this study used Cronbach's Alpha.

Constructs	Items	Reference
Compensation	COM_1: The compensation provided by the service providers is fair.	Kim (2007).
	COM_2: The quality of the compensation provided by the service providers is excellent.	
	COM_3: The compensation provided by the service providers is pertinent.	
Communication Gap Reduction	CGR_1: Service providers provide timely and trustworthy information.	Kashem and Alhakimi (2019), Sharma and Patterson (1999).
	CGR_2: Service providers do not hesitate to explain to me the pros and cons of the e-banking services that he or she recommends to me.	
	CGR_3: Service providers never hesitate to give me as much information as I like to have.	
Complaint Handling	CPH_1: Service providers are helpful in handling my complaints.	Maamari and Wasfi (2020).
	CPH_2: Service providers make me feel valued by giving priority on my problem.	
	CPH_3: Service providers show professional problem-solving attitude.	
Customer Loyalty	$CLOY_1$: I will recommend my friends and family continue using e-banking services.	Kim (2007), Sousa and Voss (2009).
	$CLOY_2$: I will recommend others using e-banking services.	
	$CLOY_3$: I intend to re-use the e-banking services.	

Source : Author's Construct

4. Results

To analyze the demographics characteristics of the participants, this study used frequency distribution. The results of this study showed that men constitute the 61.1% and women comprised 38.9% of the total population of this study. Moreover, within age groups, most of the respondents

were in a group was 25-40 (55.4%) years old. And the second largest group was 40-50 (18.3%), the third largest group was 18-25 (14.3%), and the last group was above 50 (12.0%) years old. Additionally, 66.3% service holders used e-banking services which was the largest group in this category, and the rest of the groups were businessmen (13.7%), housewife (6.3%), student (8.6%), and others (5.1%).

Table 1: Demographics Characteristics of the Participants (N= 175)

Measures		Frequency	Percentage (%)
Gender	Male	107	61.1
	Female	68	38.9
Age	18 -25	25	14.3
	25-40	97	55.4
	40-50	32	18.3
	Above 50	21	12.0
Occupation	Student	15	8.6
	Service holder	116	66.3
	Businessman	24	13.7
	Housewife	11	6.3
	Others	9	5.1

Source : Author's Construct

4.1. Sample Profile

For testing the proposed hypotheses, this study employed Partial Least Squares-Structural Equation modeling (PLS-SEM). Smart PLS (version 4.0) was utilized to examine the conceptual framework of this study, which includes 175 respondents, following the bootstrapping procedure advised by Hair et. al., (2021). The validity and reliability of the latent constructs were assessed through the measurement model, while the structural model evaluated the R-squared values, predictive relevance, and significant levels of the path coefficients.

4.2. Measurement Model

Table 2 demonstrates all the values of PLS outer loadings were 0.5 or above, which showed good convergent reliability (Barclay et. al., 1995). Hair et. al., (2021) stated that Cronbach's Alpha should be higher than 0.7, which indicates excellent internal consistency between the constructs. Construct reliability is also excellent when all average variance extracted (AVE) values are above 0.5, and the composite reliability values are above 0.7 (Bagozzi and Yi, 1988; Hair et. al., 2021). The outcomes of PLS shows the good construct reliability as all the AVE values were above 0.5, and CR values were above 0.7.

Table 2: Constructs Algorithm Estimation (PLS)

	Items	Loadings	Cronbach's alpha	Composite reliability	AVE
Customer Loyalty			0.902	0.938	0.835
	CLOY1	0.919			
	CLOY2	0.914			
	CLOY3	0.908			
Compensation			0.772	0.864	0.682
	COM1	0.692			
	COM2	0.929			
	COM3	0.897			
Communication Gap Reduction			0.890	0.932	0.820
	CGR1	0.893			
	CGR2	0.929			
	CGR3	0.895			
Complaint Handling			0.839	0.902	0.754
	CPH1	0.857			
	CPH2	0.861			
	CPH3	0.887			

Source : Author's Construct

According to Fornell-Larcker's (1981) criteria, discriminant validity was confirmed when the square root of AVE was higher than the inter-construct correlation, indicating appropriate discriminant validity. As per the above criterion, Additionally, HTMT ratios were below 0.90 which proves the appropriate discriminate validity of the constructs (Hair et. al., 2021).

Table 3: Discriminant Validity

Constructs	Fornell-Larcker Criterion				Heterotrait-Monotrait Ratio (HTMT)			
	CGR	CLOY	COM	CPH	CGR	CLOY	COM	CPH
CGR	*0.906*							
CLOY	0.684	*0.914*			0.762			
COM	0.609	0.674	*0.826*		0.717	0.769		
CPH	0.628	0.766	0.600	*0.869*	0.717	0.869	0.717	

Source : Author's Construct

Notes: CLOY = Customer Loyalty, COM = Compensation, CGR = Communication Gap Reduction, CPH = Complaint Handling, Italic Font = square root of the AVE.

Table 4 represents the collinearity statistics to ensure that the test is free from multicollinearity. According to Hair et. al., (2021), if the variance inflation factor is less than 5, it is free from multicollinearity. As all the VIF values of predictors are below 5, it proves that the model has no issues of multicollinearity.

Table 4: Collinearity Statistics (VIF)

CLOY1	3.035
CLOY2	2.720
CLOY3	2.802
COM1	1.370
COM2	1.815
COM3	1.846
CGR1	2.366
CGR2	3.363
CGR3	2.635
CPH1	2.022
CPH2	1.966
CPH3	1.924

Source : Author's Construct

Notes: CLOY = Customer Loyalty, COM = Compensation, CGR = Communication Gap Reduction, CPH = Complaint handling.

4.3. Structural Model

This study used bootstrapping technique to analyze the significance levels of the formulated hypotheses of 175 respondents and 5000 resamples (Hair et al., 2021). Testing results are shown in Figure 2, compensation (β = 0.248, f^2 =0.109, $p< 0.001$), communication gap reduction (β = 0.241, f^2 = 0.097, $p<0.001$), and complaint handling (β = 0.465, f^2 = 0.369, $p<0.001$) have positive impact on customer loyalty, thus supporting H_1, H_2, and H_3.

Table 5: Results of Bootstrapping

	Original Sample	T-Values	P-Values	Hypothesis
COM-> CLOY	0.248	3.468	0.000	Supported
CGR -> CLOY	0.241	3.552	0.000	Supported
CPH -> CLOY	0.465	6.756	0.000	Supported

Source : Author's Construct

Notes: CLOY = Customer Loyalty, COM = Compensation, CGR = Communication Gap Reduction, CPH = Complaint Handling.

This study is also analyzed the f^2 values to identify the significant effect of the excluded variables on the response variable. The f^2 values of the three variables are: compensation =0.109, communication gap reduction = 0.097, and complaint handling = 0.369.

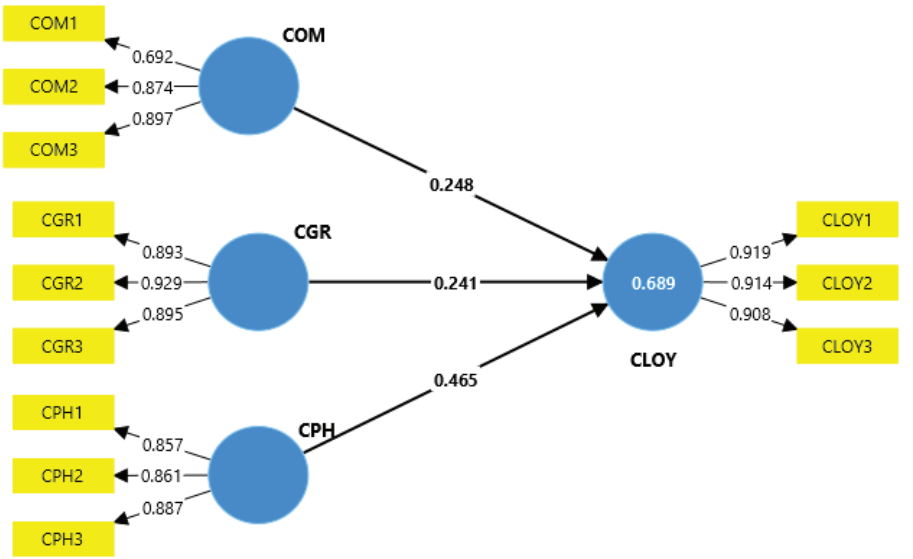

Figure 2. Outcomes of PLS-SEM

With the help of the path coefficient analysis results, this study found that the most influential factor of customer loyalty is complaint handling (β = 0.465, f^2 = 0.369, t-value = 6.756, p<0.001), thus supporting H_3. Whereas communication gap reduction and compensation are also found statistically significant (β = 0.241, f^2 = 0.097, t-values = 3.552, p<0.001; and β = 0.248, f^2 = 0.109, t-values = 3.468, p<0.001), but lower impact on customer loyalty than that of complaint handling, thus supporting H_1 and H_2.

Table 6: R^2 and Predictive Quality Indicators

Dependent Variable	Variable Type	R^2	Adjusted R^2
Customer Loyalty	Endogenous	0.689	0.683

Source : Author's Construct

The R^2 value was used to estimate the quality of a structural model (Fernades, 2012). Table 6 represents the R^2 value of this study, which is 0.689, indicating that endogenous variable customer loyalty can be explained by 68.9% of the variation in three exogenous variables compensation, communication gap reduction, and complaint handling. According to Falk and Miller (1992), R^2 value must be at least 0.10. So, this study shows an adequate predictive relevance to the response variables.

5. Discussion

The study concentrated on investigating the service recovery paradox (compensation, communication gap reduction, and complaint handling) effect on customer loyalty of e-banking services in Bangladesh. The results of this study demonstrated that customer loyalty is highly influenced by complaint handling, communication gap reduction, and compensation. According to the survey output, 61.1% of male and 38.9% of female

participated as respondents to answer the questionnaire. Most of them were service holder (66.3%), and their age ranges from 25 to 40 (55.4%).

The present study found that the most influential factor in customer loyalty is complaint handling. The finding of this study is consistent with the previous studies conducted by Maamari and Wasfi (2020), and Boshoff (1997), who stated that an effective complaint-handling process can turn unhappy, angry, and frustrated customers into loyal ones. Eccles and Durand (1998) emphasized that when customer receive poor services and ineffective complaint handling from bank staff, they spread negative word-of-mouth about the company and its brand among their close ones. In contrast, customers whose complaints are handled properly tend to share their positive experience with their acquaintances, ultimately becoming the most loyal customers. A strong and effective complaint-handling process can enhance customer satisfaction, prevent customers attrition, build a long-term profitable relationship, and foster loyalty.

Communication gap reduction is the second most influential factors affecting customer loyalty in e-banking services in Bangladesh. The result of this study is also consistent with previous study conducted by Qasem and Alhakimi (2019), which showed a positive relationship between the communication and customer loyalty. Effective communication with the banking system- whether through websites, SMS, emails, suggestion boxes, letters, or other reliable channels-can help customers overcome hesitation about purchasing products or services, increase their familiarity with banking services, and ultimately boost customer loyalty (Maamari and Wasfi, 2020). Reducing communication gap (by providing meaningful and trustworthy information, keeping clients informed about their investments, and valuing the relationship between clients and service providers) is a vital part of fostering customer loyalty (Sharma and Patterson, 1999; Maamari and Wasfi, 2020).

Finally, the finding of this study aligns with Haesevoets et. al., (2017), who stated that customer loyalty increases when companies provide adequate compensation for service failures. A higher level of compensation can lead to a higher level of customers loyalty. When customers see that service providers offer discount, replace incorrect service, or return the money as compensation, their loyalty toward the company and its services increases (Wamuyu et. al., 2015). Customers are delighted when their compensation is managed properly, there is an option to return services and quality improvements are made. Otherwise, they are likely to switch to another service provider.

6. Implications

Service failure has many unique features. One failure can destroy a business. So, the importance of service recovery can't be ignored. So far, the findings recommend that if e-banking service provider doesn't improve their service failure, they can't survive in the competitive marketplace and achieve desired customer loyalty in the long run. They must act quickly to recover from the failures and maintain customer satisfaction.

Whenever customers take any e-banking services, they expect good communication system from the service

provider. According to the survey, respondents are happy with e-banking service provider communication system, compensation, and complaint handling process. For providing better services in future, they need to focus on changing customer needs and provide solutions if any problem arises. They must develop an effective distribution channel and teamwork. Communication is crucial for any business. E-banking service provider must ensure proper communication flow from the company to customers and respond to their feedback positively. Whether customers have any issues after purchasing products, queries, or complaints, they must act quickly. Otherwise, customers will switch due to their unresponsiveness. After complaining and claiming to return products, if customers get promised services and e-banking service provider recovers their failures following the service recovery paradox, they will repurchase. Most importantly, customers think that the company cares about their problems and is sincere to solve them immediately. They will perceive themselves as valued and stay loyal to e-banking services. Service provider of e-banking services must treat every customer fairly and cultivate relationship among the potential clients. They must train their employees to deal effectively and efficiently with customers' complaints and delivery. Service provider must be caring, polite, responsive, and knowledgeable in providing after sale services. These elements contribute to customer loyalty and overcome service failures. They must establish a service guarantee and warranty system for a product and after sale services. Consumer-oriented information can be useful for making strategic decisions. Enhancing the communication system with customers and improving service quality by following the service recovery paradox can also contribute to reducing negative word-of-mouth and increasing repeat purchases. They must keep monitoring the changing customer expectations and the effect of improving quality and delivery after post-recovery.

7. Limitations and Future Study

This study collected data from a relatively small sample of 175 respondents, which may not adequately represent the entire population. Therefore, future studies should be conducted with large number of samples to achieve more accurate analyses and better generalizability in Bangladesh. Additionally, all respondents in this study were selected from Dhaka city, which limits the applicability of findings to other regions with diverse needs and cultural contexts. Future studies should expand their scope to different parts of Bangladesh, prioritizing regional cultural variations and individual customer needs. Moreover, this study adopted a quantitative approach, which also constrained the depth of insights obtained. Future studies should employ a mixed-method approach (qualitative and quantitative) to gain a deep understanding of the service recovery paradox on customer loyalty. Finally, this study did not consider additional factors such as customer perception, refund policies, and apologies, which may significantly influence customer loyalty in the e-banking sector. Incorporating these variables in future research would provide a more comprehensive understanding of how service recovery strategies shape customer behavior in the Bangladeshi e-banking industry.

8. Conclusion

In this study, researcher looked at how service recovery paradox (SRP) affected customer loyalty of e-banking services in Bangladesh. The findings of this study confirmed that compensation, communication gap reduction, and complaint handling are vital predictors of the customer loyalty when they use e-banking services in Bangladesh. Service recovery is the only solution for e-banking service provider for sustainability and customer loyalty. When customers are satisfied, the business tends to perform better. Favorable compensation, effective communication system, and complaint settlement are the logical patterns of repeat purchases that increase customer loyalty. Failure points must be detected to perform the promised services effectively. Otherwise, there is more possibility to spread negative information about the brand and the company. As a result, customers will switch to another brand, and it will damage the growth of the sales. Services are distinctive in their own ways. Employees of e-banking services should be given opportunities to develop their social skills as a part of efforts to foster a positive work environment. Effective communication with customers, a fair compensation, and proper complaint handling can build long term profitable relationship, and foster customer loyalty.

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Appendix (Questionnaire)

General Questions:

Gender:

Male	**Female**

Age:

18-25	25-40	40-50	Above 50

Occupation:

Student	Service holder	Businessman	Housewife	Others

Specific Questions:

Constructs	**Items**	**Reference**
Compensation	COM_1: The compensation provided by the service providers is fair.	Kim (2007).
	COM_2: The quality of the compensation provided by the service providers is excellent. COM_3: The compensation provided by the service providers is pertinent.	
Communication Gap Reduction	CGR_1: Service providers provide timely and trustworthy information.	Kashem and Alhakimi (2019), Sharma and Patterson (1999).
	CGR_2: Service providers do not hesitate to explain to me the pros and cons of the e-banking services that he or she recommends to me.	
	CGR_3: Service providers never hesitate to give me as much information as I like to have.	
Complaint Handling	CPH_1: Service providers are helpful in handling my complaints.	Maamari and Wasfi (2020).
	CPH_2: Service providers make me feel valued by giving priority on my problem.	
	CPH_3: Service providers show professional problem-solving attitude.	
Customer Loyalty	$CLOY_1$: I will recommend my friends and family continue using e-banking services.	Kim (2007), Sousa and Voss (2009).
	$CLOY_2$: I will recommend others using e-banking services.	
	$CLOY_3$: I intend to re-use the e-banking services.	